

Message Text

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ACTION EA-14

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SUBJ: SINO-JAPANESE FERTILIZER NEGOTIATIONS

REF: A) HK 7358; B) TOKYO 11382

SUMMARY: GENERAL AGREEMENT HAS BEEN REACHED BETWEEN THEPRC AND JAPANESE FERTILIZER NEGOTIATORS NON PRICE AND QUANTITY OF JAPANESE FERTILIZER SALES TO THE PRC FOR THE FIRST HALF OF THE 1974 FERTILIZER YEAR (JULY 1, 1974-- JUNE 30, 1974), SAY NEWS AGENCY ACCOUNTS AND INDUSTRY SOURCES IN TOKYO. DISCONTINUED IN LATE JUNE OVER PRICE DIFFERENCES, THE NEGOTIATIONS WERE REOPENED IN EARLY AUGUST (TOKYO, KYODO, REUTER). A JAPANESE HONG KONG CONGEN OFFICER HAS CONFIRMED THE GENERAL OUTLINE OF THE REPORTS, BUT HAS GIVEN US DIFFERENT QUANTITIES AND PRICES THAN THE PRESS REPORTS AND THOSE REPORTED IN REF B. THE IMPACT ON THE PRC WILL BE ABOUT A 4 PERCENT DECREASE IN TOTAL CHEMICAL FERTILIZER SUPPLY. END SUMMARY.

1. ACCORDING TO THE JAPANESE CONGEN OFFICER, PRICES-- WHILE NOT FINAL-- HAVE BEEN GENERALLY AGREED AT 432 RMB (\$211) PER TON FOB
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FOR UREA AND 220 RMB (\$110) PER TON FOB FOR BOTH AMONIUM SULPHATE

AND AMMONIUM CHLORIDE. THESE PROCES, IF AGREED, WOULD BE FOR THE ENTIRE 1974 FERTILIZER YEAR, ACCORDING TO THE JAPANESE OFFICER. THEY ARE MORE THAN DOUBLE THE 1973 CONTRACT PRICES.

2. THE AMOUNTS INVOLVED ARE : UREA -800,000 TONS; AMMONIUM CHLORIDE- 400,000 TONS; AND AMMONIUM SULPHATE - 300,000 TONS. FOR THE 1974 FERTILIZER YEAR, THE TOTAL AMOUNT IN AMMONIUM SULPHATE EQUIVALENT IS 2.4 MILLION TONS, COMPARED WITH 3.8 MILLION TONS DURING THE 1973 FERTILIZER YEAR-- A DROP OF OVER ONE-THIRD.

3. THE TIME FRAME OF ONE YEAR DIFFERS FROM PERVIOUS REPORT (REF A) THAT THE JAPANESE WERE WILLING TO SIGN A FERTILIZER CONTRACT WITH THE PRC FOR ONLY A SIX-MONTH PERIOD. IF THE JAPANESE CONGENOFF'S ACCOUNT IS ACCURATE, IT INDICATES A COMPROMISE ON THE BASIS OF HIGHER PRICES AND A LESSER QUANTITY THAN WANTED BY THE PRC AND FOR A LONGER PERIOD THAN WANTED BY THE JAPANESE FERTILIZER DEALERS.

4. CONGEN IS UNAWARE OF ANY MAJOR PURCHASES OF FOREIGN FERTILIZERS BY PRC RECENTLY THAT COULD MAKE UP FOR A CUT OF THIS MAGNITUDE IN THE SUPPLY FROM JAPAN. THUS, THE DECREASE IN SUPPLY FROM JAPAN MEANS ABOUT A 4 PERCENT DECREASE IN TOTAL SUPPLY FOR THE PRC. UNTIL THE COMPLETE CHEMICAL FERTILIZER PLANTS BOUGHT BY THE PRC IN 1973 BEGIN OPERATION IN LATE 1975-76, IT APPEARS THAT THE PRC FACES THE PROSPECT, FOR AT LEAST AN INTERIM PERIOD, OF DIMINISHED CHEMICAL FERTILIZER SUPPLY WITH AN ATTENDANT -- BUT DIFFICULT TO QUNATIFY-- DECLINE IN AGRICULTURAL YIELDS. CROSS

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